

2012 Legislative Update

HB255 (Act 2012-302) requires retirement contributions on overtime pay with earnable compensation capped at 120% of base pay for all members of the TRS and the ERS.

SB213 (Act 2012-412) requires members of TRS, ERS, and JRF convicted of a felony offense related to their public position to forfeit their right to lifetime retirement benefits. However, the employee would receive a refund of his or her retirement contributions. This legislation is not retroactive and does not affect any member that has already been found guilty of an offense.

SB388 (Act 2012-377) creates a Tier 2 Defined Benefit plan for all TRS and ERS members hired on or after January 1, 2013. New members will pay lower contribution rates, but will not be able to draw a retirement benefit until they reach age 62. State Police, law enforcement, firefighters, and correctional officers will be able to draw a benefit at age 56. (Local agencies that did not elect to increase employee contributions will have an increase in employee contributions.)

TIER 2 Retirement Benefits

Members hired for the first time on or after January 1, 2013:

- ◆ No 25-year retirement benefits
- ◆ Retirement benefits for regular state employees and regular local employees at age 62
- ◆ Benefits for State Police and regular and local Firefighters, Law Enforcement, Correctional Officers (FLC) at age 56
- ◆ Retirement Benefit Factor:
ERS state employees, local employees, & FLC – 1.65%
State Police – 2.375%
- ◆ Average Final Salary – the average of the highest five years out of the last ten years
- ◆ Member Contribution Rate:
Regular State Employee & Local Employee – 6%
FLC (state and local) – 7%
State Police – 10%
- ◆ No bonus years for State Police or FLC
- ◆ No Sick Leave Conversion
- ◆ Benefit cap of 80% of Final Average Salary
- ◆ Earnable Compensation shall not exceed 125% of base pay
- ◆ New disability standard for new hires

Prepared by the Communications staff of the Retirement Systems of Alabama. To have your questions answered in “Preparing for Retirement”, please address them to **Michael Pegues, Communications, Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150**. Please visit our Web site at www.rsa-al.gov.